

Town Board Minutes

**Meeting
No. 36**

Special Meeting

October 8, 2002

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A Joint Work Session and Informational Meeting of the Town Board of the Town of Lancaster and the Village Board of the Village of Lancaster, Erie County, New York, was held at the Town Hall at 21 Central Avenue, Lancaster, New York on the 8th day of October 2002 at 7:30 P.M. and there were

PRESENT: MARK MONTOUR, COUNCIL MEMBER
RONALD RUFFINO, COUNCIL MEMBER
DONNA STEMPNIAK, COUNCIL MEMBER
ROBERT GIZA, SUPERVISOR
MARY MARINO, TRUSTEE
PAUL MAUTE, TRUSTEE
EDWARD MEYER, TRUSTEE
KENNETH O'BRIEN, TRUSTEE
JEFFREY STRIBING, TRUSTEE
WILLIAM CANSDALE, MAYOR

ABSENT: RICHARD ZARBO, COUNCIL MEMBER
JOHN SWANSON, TRUSTEE

ALSO PRESENT: JOHANNA COLEMAN, TOWN CLERK
DAVID BROWN, DIRECTOR OF ADMINISTRATION & FINANCE
RICHARD SHERWOOD, TOWN ATTORNEY
ARTHUR TRAVER, FOX & COMPANY
JENNY KMIOTEK, FOX & COMPANY

Introductory remarks were made by Supervisor Giza and Mayor Cansdale.

Arthur Traver, representing Fox & Company, presented a Financial Analysis document and opened up the meeting to questions from members of both Boards. The following addition to the minutes is a copy of said document:

**FINANCIAL ANALYSIS OF ABOLISHMENT OF
VILLAGE OF LANCASTER, NEW YORK
POLICE DEPARTMENT AND
CREATION OF NEW POSITIONS IN THE
TOWN OF LANCASTER, NEW YORK
POLICE DEPARTMENT**

OCTOBER 8, 2002

1) **Projected Tax Rates:**

The projected tax rates relating to the abolishment of the Village of Lancaster Police Department and the creation of new positions in the Town of Lancaster Police Department are as follows:

Residential Property Located Within the Village of Lancaster:

	<u>2003 Tax Rate Per Thousand</u>			
	<u>Actual</u>	<u>Initial</u>	<u>Breakeven</u>	<u>Optimum</u>
Village of Lancaster General Fund	\$ 12.41	\$ 9.51	\$ 9.51	\$ 9.51
Town of Lancaster Police Fund	-	3.00	2.88	2.58
Total	\$ 12.41	\$ 12.51	\$ 12.39	\$ 12.09
Tax Levy Based on a \$70,000 Taxable Value	\$868.70	\$875.70	\$867.30	\$846.30

Residential Property Located Within the Portion of the Town Outside of the Villages:

	<u>2003 Tax Rate Per Thousand</u>			
	<u>Actual</u>	<u>Initial</u>	<u>Breakeven</u>	<u>Optimum</u>
Town of Lancaster Town Outside Village Fund	\$ 2.89	\$ 0.04	\$ 0.04	\$ 0.04
Town of Lancaster Police Fund	-	3.00	2.88	2.58
Total	\$ 2.89	\$ 3.04	\$ 2.92	\$ 2.62
Tax Levy Based on a \$100,000 Taxable Value	\$289.00	\$304.00	\$292.00	\$262.00

The "Initial" column assumes only one Chief of Police position is eliminated. The "Breakeven" column assumes the elimination of one Chief of Police and two sworn officers. The "Optimum" column assumes the elimination of one Chief of Police, five sworn officers and three civilian positions.

In May 2001 New York State Division of Criminal Justice Services, Office of Public Safety - Bureau of Municipal Police (DCJS) issued their report dealing with the Village of Lancaster and the Town of Lancaster Police Departments. A subsequent report in this area was issued November 2001 by the Center for Governmental Research, Inc. (CGR).

The CGR report, which replied in part on the DCJS report, concluded that the consolidated Police Department could operate with a staffing reduction of nine sworn officers, one chief and two civilian positions. Meetings with the Chiefs of Police of the Town and Village disclosed their belief that a consolidated Police Department could operate with a staffing reduction of five sworn officers, one chief and three civilian positions. The reduction in staffing is anticipated to occur through normal attrition.

The Town of Lancaster Town Outside Village fund represents the General - Fund Town Outside Village and the Highway Fund - Town Outside Village.

2) **Entity for Financing Consolidated Department:**

- A) Town to create a special revenue fund entitled "Police Fund"
- B) Benefit area - entire Town, excluding Village of Depew
- C) Benefit tax formula - taxable assessed valuation

3) **One Time Transition Costs:**

- A) *Retirement plan upgrade for Village Officers.* CGR report estimated \$450,000. CGR assumed that Village will incur this cost because it brings the Village's police officers in line with retirement plan of the Town's police department.
- B) *Accumulated leave time for Village Officers.* CGR report estimated \$765,100. This amount has been revised to \$940,795. CGR report assumed that Village will make a lump sum payment to the officers at the time of transfer and that the officers would move to the consolidated police department with no accrued leave time.

Fox analysis indicates that the cost should not be paid by Village. Town police have accumulated leave time. Both Town and Village should bring their accumulated leave time liability into the consolidated police department. This cost will be paid for in future year budgets by the taxing base of the Police Fund.

An adjustment should be made for the disparity in the relationship of the respective accumulated leave time liability of each police department to its 2002 taxable assessed valuation.

3.

The following computes the disparity:

2002 Taxable assessed valuations:

	<u>Amount</u>	<u>Percent Relationship</u>
Town Outside Villages	\$ 926,849,376	76.18%
Village of Lancaster	<u>289,829,518</u>	<u>23.82</u>
Total	<u>\$1,216,678,894</u>	<u>100.00%</u>

Accumulated leave time liability:

	<u>Amount</u>	<u>Percent Relationship</u>
Town Outside Villages	\$ 810,032	46.27%
Village of Lancaster	<u>940,795</u>	<u>53.73</u>
Total	<u>\$1,750,827</u>	<u>100.00%</u>

Amount to be paid to Police Fund by Village of Lancaster:

Y	=	Net Liability after Village Contribution
Y x 76.18%	=	\$810,032
76.18Y	=	\$810,032
Y	=	\$1,063,313

Total Accumulated Leave Time Liability	\$1,750,827
Net Accumulated Leave Time Liability after Village Contribution	<u>1,063,313</u>

Amount to Be Paid to Police Fund By Village of Lancaster	<u>\$ 687,514</u>
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Proof of above computation:

	<u>Total</u>	<u>Town Outside Villages</u>	<u>Village of Lancaster</u>
Net Accumulated Leave Time after Village Contribution	\$1,063,313	\$ 810,032(a)	\$ 253,281(b)
Village Contribution	<u>687,514</u>	<u> </u>	<u>687,514</u>
Total	<u>\$1,750,827</u>	<u>\$810,032</u>	<u>\$940,795</u>

(a) = \$1,063,313 x 76.18%

(b) = \$1,063,313 x 23.82%

- C) **Retiree health insurance coverage.** The CGR report assumed that nine Village Officers who currently have 20 or more years of service would receive a \$620 monthly health insurance benefit (the then current cost of the Village's Independent Health Gold Plan) for 20 years post retirement. The CGR report also assumed that the remaining members of the Village police force would lose this benefit at the time of consolidation. The final CGR report assumption was that the costs already budgeted by the Village for past retirees will remain in the Village Budget and would not become costs of the Police Fund. The CGR report estimated that the Village would have to fund \$1,339,000 (9 Officers x \$620 x 12 months x 20 years) for the nine Village Officers who have 20 or more years of service.

The Town's uniformed police retiree health insurance coverage calls for providing this benefit to all officers hired before January 1, 2000. All Officers hired after January 1, 2000 do not receive this benefit.

Fox recommends that the Village Officers receive the same retiree health insurance coverage as the Town Officers. The Police Fund should pay for all Village Officers on the force who were hired before January 1, 2000. The Police Fund should also pay for the Officers of the Village who are past retirees.

An adjustment should be made for the disparity in the relationship of the respective retiree health insurance coverage liability of each police department to its 2002 taxable assessed valuation. The computation would be similar in nature to that performed for "accumulated leave time".

5.

The following computes the disparity:

2002 taxable assessed valuations:

	<u>Amount</u>	<u>Percent Relationship</u>
Town Outside Villages	\$ 926,849,376	76.18%
Village of Lancaster	<u>289,829,518</u>	<u>23.82</u>
Total	<u>\$1,216,678,894</u>	<u>100.00%</u>

Present value of retiree health insurance:

	<u>Amount</u>	<u>Percent Relationship</u>
Town Outside Villages	\$5,975,791	71.29
Village of Lancaster	<u>2,406,332</u>	<u>28.71</u>
Total	<u>\$8,382,123</u>	<u>100.00%</u>

The liability for the present value of retiree health insurance exists irrespective of whether or not the merger of the police departments occurs.

Amount to be paid to Police Fund by Village of Lancaster:

Y	=	Net Liability after Village Contribution
Y x 76.18%	=	\$5,975,791
76.18Y	=	\$5,975,791
Y	=	\$7,844,304

Total Present Value of Retiree Health Insurance Liability	\$8,382,123
Net Present Value to Retiree Health Insurance Liability After Village Contribution	<u>7,844,304</u>
Amount to Be Paid to Police Fund By Village of Lancaster	<u>\$ 537,819</u>

Proof of above computation:

	<u>Total</u>	<u>Town Outside Villages</u>	<u>Village of Lancaster</u>
Net Accumulated Present Value of Retiree Health Insurance After Village Contribution	7,844,304	\$5,975,791 (a)	\$1,868,513 (b)
Village Contribution	<u>537,819</u>	<u> </u>	<u>537,819</u>
Total	<u>\$8,382,123</u>	<u>\$5,975,791</u>	<u>\$2,406,332</u>

(a) = \$7,844,304 x 76.18%

(b) = \$7,844,304 x 23.82%

The following are the major assumptions used in computing the present value of retiree health insurance liability:

Present cost of coverage:

Age 62-64	\$664/month
Age 65 and over	\$551/month

Annual increase in insurance cost: 6%

Present value rate: 3%

Age coverage ceases: 73.4

D) The following is a summary of the one time transition costs that the Village will incur:

NYS Police and Fire Retirement System:	
Plan Upgrade	<u>\$ 450,000</u>
Town of Lancaster Police Fund:	
Accumulated Leave Time	687,514
Retiree Health Insurance	<u>537,819</u>
Total Town of Lancaster Police Fund	<u>1,225,333</u>
Total One Time Transition Costs - Village of Lancaster	<u>\$1,675,333</u>

4) **Grant Funds:**

A) Erie County - \$650,000

B) U.S. Department of Justice COPS Grant - \$?

For purposes of this analysis, it is assumed that the Erie County Grant will be used to finance the following estimated costs:

Retirement Plan Upgrade for Village Officers	\$450,000
One Time Transition Costs Owed by the Village of Lancaster to the Police Fund	120,000
Renovation Costs of Existing Town Police Facility	<u>80,000</u>
Total	<u>\$650,000</u>

5) **Capital Expenditures:**

A) Upon merger, approximately \$80,000 will be needed to renovate the existing Town police facility. Within two to five years a new public safety/court building will be needed. This facility has an estimated cost of \$5.5 million. This facility will be needed irrespective of whether or not a merger occurs. The possibility exists that a \$1 million grant can be obtained from the County to help finance the construction costs of a new facility.

6) **Sales Tax:**

A) The Village currently budgets sales tax revenue in its General Fund. In the Village's 2002-2003 General Fund Budget, \$730,000 of sales tax was budgeted as an estimated revenue.

B) The Town currently budgets sales tax revenue in the areas of the Town that exclude the Villages, because the Villages have elected to receive their share of sales tax directly. Specifically, the Town budgets sales tax in the General Fund - Town Outside Village. In the Town's General Fund - Town Outside Village 2002 Budget, \$2,270,000 of sales tax was budgeted as an estimated revenue.

C) For purposes of this analysis, it is assumed that the Village of Lancaster will forego receiving sales tax directly as of December 31, 2002. All of the Village's former sales tax revenue of \$730,000 is assumed to flow to the Police Fund. It is further assumed that the Town will allocate \$985,000 of its current sales tax revenue to the Police Fund. Thus, for purposes of this analysis, it is assumed that the Police Fund will have sales tax revenue of \$1,715,000 (\$730,000 + \$985,000) to reduce the amount to be raised via a real property tax levy.

- D) It is envisioned that the Village of Lancaster will forgo receiving sales tax directly for the period of 30 years.
- E) It is envisioned that the Town will increase its allocation of sales tax revenue to the Police Fund to 100% of all sales tax over a 15 year period.

7) **Projected Budgetary Impact:**

The following is the projected budgetary impact from the consolidation of the police departments. It is assumed that the consolidation will occur on January 1, 2003.

A) **Village of Lancaster:**

The Village's General Fund 2002-2003 Adopted Budget contains the following appropriations relating to its Police Department:

Personal Services	\$1,271,129
Equipment	-
Contracted Expenses	63,350
Employee Benefits (Estimated)	<u>340,750</u>
Total	<u>\$1,675,229</u>

The Village's General Fund 2002-2003 Adopted Budget also contains an estimated revenue of \$730,000 for sales tax.

Because the consolidation is anticipated to occur on January 1, 2003, it is assumed that the Village will have unexpended appropriations for the period January 1, 2003 through May 31, 2003. The Village will forego sales tax revenue for the period January 1, 2003 through May 31, 2003. An estimate of the net unexpended appropriations is computed as follows:

Total Village Police Related Appropriations	\$1,675,229
Less: Sales Tax	(730,000)
Less: NYS Police Retirement	<u>(25,000)</u>
Amount Available for Proration	920,229
Proration Factor	<u>5/12</u>
Estimated Net Unexpended Appropriations	<u>\$ 383,000</u>

It is assumed that the \$383,000 of estimated net unexpended appropriations will be expended towards the one time transition costs by the Village to the Town Police Fund.

The estimated impact on the Village's 2003-2004 General Fund Budget is computed as follows:

Reduction in Appropriations Relating to Police	\$(1,675,229)
Reduction in Estimated Revenues Relating to Sales Tax	730,000
Increase in One Time Transition Costs Relating to Town Police Fund:	
Total Village of Lancaster One Time Transition Costs	\$1,675,333
Less: Erie County Grant	(650,000)
Less: Estimated Net Unexpended Appropriations	<u>(383,000)</u>
Total	<u>\$ 642,333</u>
Principal (\$642,333 + 10)	64,233
Interest (\$642,333 x 3%)	<u>19,270</u>
Estimated (Net Reduction) in Village 2003-2004 General Fund Tax Levy	<u>\$ (861,726)</u>

It is envisioned that the \$642,333 net increase in one time transition costs will be financed by a loan from the Town's Police Fund to be repaid over a 10 year period with 3% interest.

B) Town of Lancaster - Town Outside Villages:

The following is the projected net reduction in Town Outside Village Fund 2003 tax levy assuming that a Police Fund is created:

Reduction in Appropriations Relating to Police	\$3,765,000
Reduction in Estimated Revenues:	
Sales Tax	(985,000)
Police Reports	(2,000)
Stop DWI	(10,000)
COPS Grant	(25,000)
Transfer from General Fund	<u>(100,000)</u>
Projected Net Reduction in Town Outside Village Fund 2003 Tax Levy	<u>\$2,643,000</u>

C) **Town of Lancaster Police Fund:**

The following is the projected Town of Lancaster Police Fund 2003 Budget assuming only one Chief of Police position is eliminated:

Police Appropriations per Village's 2002-2003 General Fund Budget	\$ 1,675,229
Add: Increase in Police Appropriations Relating to Village Due to Higher Pay Scales by Town Per CGR Report	200,000
Less: Sales Tax Village	(730,000)
Police Appropriations per Town's 2002 Town Outside Village Fund Budget	3,765,000
Less: Sales Tax Allocated from Town Outside Village Fund	(985,000)
Less: Police Related Town Outside Village Fund Estimated Revenues:	
Police Reports	(2,000)
Stop DWI	(10,000)
COPS Grant	(25,000)
Transfer from General Fund	(100,000)
Less: Appropriations Relating to Town Chief of Police who is Anticipated to Retire	(107,731)
Less: Interest Earnings	<u>(30,000)</u>
 Projected Town Police Fund Budget to be Financed by Real Property Tax Levy	 <u>\$ 3,650,498</u>

The following is the projected Town of Lancaster Police Fund 2003 Budget assuming the elimination of five sworn officers, one chief and three civilian positions:

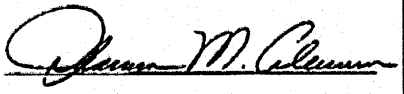
Police Appropriations per Village's 2002-2003 General Fund Budget	\$ 1,675,229
Add: Increase in Police Appropriations Relating to Village Due to Higher Pay Scales by Town Per CGR Report	200,000
Police Appropriations per Town's 2002 Town Outside Village Fund Budget	3,765,000
Less: Sales Tax Village	(730,000)
Less: Sales Tax Allocated from Town Outside Village Fund	(985,000)
Less: Police Related Town Outside Village Fund Estimated Revenues:	
Police Reports	(2,000)
Stop DWI	(10,000)
COPS Grant	(25,000)
Transfer from General Fund	(100,000)
Less: Appropriations Relating to Town Chief of Police who is Anticipated to Retire	(107,731)
Less: Interest Earnings	(30,000)
Less: Appropriations Relating to Five Sworn Officers, Three Civilian Positions, and Their Related Employee Benefits	<u>(515,000)</u>
 Projected Town Police Fund Budget to be Financed by Real Property Tax Levy	 <u>\$ 3,135,498</u>

The Board Members stated that they will study the report during the next few weeks and will schedule a future joint meeting.

No official actions were taken by the Boards.

ADJOURNMENT:

ON MOTION OF COUNCIL MEMBER RUFFINO AND SECONDED BY MAYOR
CANSDALE, the meeting was adjourned at 8:44 P.M.

Signed 
Johanna M. Coleman, Town Clerk